A Study on Strategies for Increasing Market Share in China's Auto Insurance Market

The number of automobiles has grown up over 20% a year on average during the past five years, while China’s gross domestic product has expanded at over 8%. Compared to 2.7 in Korea, however, the number of persons per auto is still large, amounting to 22.6 in 2010. This figure enables us to see that there is an abundant potential demand in the Chinese auto insurance market. In addition, the auto insurance market seems to be profitable based upon an loss ratio of 60%.

Using direct and agent channel strategies rather than a pricing strategy, the top three companies, PICC, Ping An, and China Pacific, have a 68.6% market share in the auto insurance market, a dominant position. We find that the direct channel is more suitable to citizens residing in big cities, while the agent channel, to the others. To approach new customers, the agent channels, in general, can apply all 4S marketing strategies: sale, spare part, service, and survey. But note that the direct channel is not easy to adopt these strategies.

To investigate detailed strategies, we conduct consumer questionnaire surveys in Beijing, Shanghai, and Guangzhou. Our findings are as follows: first, important are the strategies which improve companies’ image. The reason for this is that consumers in China are likely to consider the image when buying insurance policy.

Second, we find that Chinese consumers obtain information about insurance products primarily from internet and their neighbors. As such, we conclude that it seems significant to adopt the strategies
which maintain insurance contracts using internet.

Third, it appears desirable to employ different strategies between before and after making contracts. Our empirical result is that the 4S services of the agent channels are the most effective for new consumers, followed by the direct channels.

Fourth, since 2012 the China Insurance Regulatory Commission (CIRC) has issued new guidelines and deregulations related to the prices and policies of insurance. In this context, it would be important to develop the strategies preparing for such deregulations.

Finally, note that the CIRC has frequently changed regulations related to auto insurance, leading insurance companies to exposure to a country risk. Thus, it would be desirable for them to handle multi-line products, a hedge against such a country risk.